

RECEIVED

DEC 3 - 1996

Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, D.C. 20554

Federal Communications Commission  
Office of Secretary

In the Matter of )  
 )  
Billed party Preference for ) CC Docket No. 92-77  
InterLATA 0+ Calls )  
\_\_\_\_\_ )

DOCKET FILE COPY ORIGINAL

REPLY COMMENTS OF SPRINT CORPORATION

Sprint Corporation ("Sprint") hereby respectfully submits its reply comments on the questions attached to the Commission's Public Notice (DA 96-1695) issued October 10, 1996 in the above-captioned proceeding.

**I. THE COMMISSION SHOULD NOT IMPOSE PRICE DISCLOSURE REQUIREMENTS ON ALL OPERATOR SERVICE PROVIDERS.**

Comptel (at 2-4) urges the Commission to require that all operator service providers ("OSPs") disclose the fact that their rates are available upon request. See also AMNEX at 5-6. Similar proposals were raised at earlier stages of this proceeding by other parties and in response Sprint demonstrated that they were without merit. See Reply Comments of Sprint filed August 16, 1996 at 5-6. Sprint explained that the primary cause of consumer complaints and dissatisfaction is the high rates charged by a relatively few OSPs. Thus, the increased costs and delayed call completion that would accompany any universal disclosure requirement should not be visited upon the entire industry on account of such OSPs.

No. of Copies rec'd  
List ABCDE

024



Several parties, including providers of OSP services as well as a premises owner, also oppose the imposition of a requirement to have all OSPs, regardless of whether their rates are within acceptable industry norms, disclose the fact that their rates are available upon request. For example, US West states that "a 'total industry/total market' approach to the problem of [OSP] price-gouging ... is simply not in the public interest." Comments at 4. US West explains that such requirement would "burden an entire industry with additional -- totally unnecessary -- costs," *id.*, which would only increase the price of the call. US West would have the Commission "craft a remedy targeted and tailored to the specific problem" created by certain OSPs charging high rates, *id.* at 3 and not a "broad-based, industry-burdening general rulemaking." *Id.* at 6. Similarly, Peoples states that "requiring universal rate disclosure will penalize the service quality of the good actors in the industry who already are charging rates that are in line with consumer expectations." Comments at 2. And the Metropolitan Washington Airports Authority explains that since it does not bid for payphone services at rates that exceed established industry norms," the problem of "excessive payphone charges [] simply does not exist at Washington National or Dulles." Thus, it states that the adoption a "a system of on-demand call rating ...would serve, in most cases, merely to make payphone service less



convenient and less efficient" at both airports without justification. Comments at 3-4.

Comptel supports its proposal here primarily by arguing that only an ubiquitous rate disclosure requirement avoids the legal problem of subjecting some OSPs to differential treatment. Comments at 4. However, Comptel does not explain why the Commission lacks the authority under the Communications Act to design regulations to address a particular problem which is limited to those that created the problem. Nor could it. The Commission's authority under the Act to subject different carriers within its jurisdiction to different regulatory treatment is well-established. *See, e.g., Competitive Carrier*, 85 FCC 2d 1, 12-18 (1980). In any case, Comptel's industry-wide solution would ill-serve the public for the reasons already put forward by Sprint and others. It should not be adopted.

**II. IT IS HIGHLY UNLIKELY THAT THE RATES CHARGED BY OSPs WILL BE REDUCED AS A RESULT OF THE COMMISSION'S REPORT AND ORDER IN CC DOCKET NO. 96-128.**

Several parties predict that the Commission's recent *Report and Order* in CC Docket No. 96-128 (*Pay Telephone Reclassification and Compensation Provision of the Telecommunications Act of 1996, Policies and Rules Concerning Operator Service Access and Pay Telephone Compensation*), in which the Commission required that interexchange carriers ("IXCs") pay what amounts to a tax to payphone service providers ("PSPs") will enable OSPs to lower



their rates for 0+ calls. See, e.g., Intellicall at 9; Peoples at 4-5; US West at 20; U.S. Long Distance, Inc. at 12; and Teltrust at 4. These parties base their predictions on the assumption that since PSPs will now receive revenues from IXCs for dial-around calls, OSPs will not necessarily have to recover all of their expenses from end users.

Such prediction and the assumption upon which it is based are naive at best.<sup>1</sup> Indeed, many of these parties -- e.g., US West and Teltrust -- appear to confuse the fact that dial-around compensation is to be paid to payphone service providers and not to OSPs who charge the high rates. If a PSP receiving the compensation does not provide its own operator services or if the premises owner presubscribes his payphones to an OSP which is not affiliated with the PSP, the OSP will not reap the benefits of any dial-around compensation paid to such payphone provider. Under such circumstances, the OSP will still be required to recover all of its expenses from end users.

---

<sup>1</sup> One PSP official has recently acknowledged that no compensation from toll calls -- either 0+, dial-around or subscriber 800 calls -- is needed to cover costs of providing payphones. In the article entitled "FCC Order Jump Starts Industry" appearing in the December 1996 issue of Phone +, (at 64-65), Jerry Burger, chief executive officer of AmeriCall, is quoted as stating that AmeriCall "did not accept a location if [it] could not amortize 100 percent of [its] interest and principal payments and all [of its] salaries, general and administrative expenses strictly out of coin. If [AmeriCall] had to depend on the revenue from operator services, let alone surcharges, [it] didn't want the phone." To Mr. Burger, "operator services and any type of surcharges revenue is strictly gravy."



Even if the PSP also provides operator services, the fact that it will receive dial-around compensation from IXCs will not necessarily result in lower 0+ rates charged to end users. Such PSPs may choose simply to use the additional monies to increase the salaries of their employees or increase the dividends paid to owners of the PSP. Alternatively -- and this is perhaps the more likely scenario -- the additional revenues received by the PSP will simply be passed on to premises owners who will exercise their market power to demand higher commission payments from the PSPs.<sup>2</sup>

In short, there is no assurance that the dial-around compensation scheme adopted in CC Docket 96-128 will lead to lower rates to end users making 0+ calls from payphones. And to make matters worse, IXCs will be forced to increase their rates

---

<sup>2</sup> Given the undisputed fact premises owners retain substantial market power by virtue of their ability to select the OSP, the payphone market can hardly be characterized as competitive. A competitive market would force service providers to lower their costs and rates to end users. But, in the payphone market, OSPs do not compete for the business of end users by seeking to provide quality services at low rates. Rather they compete to be selected by premises owners to provide operator services. Such "competition" usually is based upon the level of commissions offered by OSPs to the premises owners. To the extent that premises owners seek to maximize their revenues from payphones, they will continue to select the OSP that promises the highest commissions. The OSP, in turn, will continue to recoup such high commissions by charging users high per minute rates and by billing and collecting location-imposed surcharges. As Sprint has argued for some time now, the only way to mitigate, if not eliminate, the market power of the premises owners is to require the implementation of billed party preference.



for long distance calling to recover the windfall payments to  
PSPs. See also MCI at 5

Respectfully submitted,

~~SPRINT CORPORATION~~

~~Jay C. Keithley~~  
~~H. Richard Juhnke~~  
~~Michael B. Fingerhut~~  
~~1850 M Street, N.W., 11th Floor~~  
~~Washington, D.C. 20036~~  
~~(202) 828-7438~~

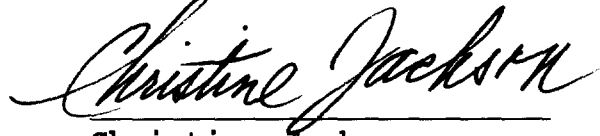
Its Attorneys

December 3, 1996



CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing "REPLY  
COMMENTS OF SPRINT CORPORATION" was sent by hand or by United  
States first-class mail, postage prepaid, on this the 3rd day of  
December, 1996 to the parties on the attached list:

A handwritten signature in cursive script, reading "Christine Jackson", written over a horizontal line.

Christine Jackson

December 3, 1996



C. Douglas McKeever  
InVision Telecom, Inc.  
Suite 118  
1150 Northmeadow Parkway  
Roswell, GA 30076

Eric L. Bernthal  
Latham & Watkins  
Suite 1300  
1001 Pennsylvania Ave., N.W.  
Washington, D.C. 20004  
Counsel for Peoples Telephone

Bruce W. Renard  
Peoples Telephone Co., Inc.  
2300 N.W. 89th Place  
Miami, FL 33172

Ian D. Volner  
N. Frank Wiggins  
Venable, Beatjer, Howard  
& Civiletti, LLP  
Suite 1000  
1201 New York Ave., N.W.  
Washington, D.C. 20005  
Counsel for Airports Authority

Naomi Klaus  
Metropolitan Washington  
Airports Authority  
44 Canal Center Plaza  
Alexandria, VA 22314

Ellyn Elise Crutcher  
Consolidated Communications  
Public Services Inc.  
121 South 17th Street  
Mattoon, IL 61938

Danny E. Adams  
Steven A. Augustino  
Kelley, Drye & Warren  
1200 Nineteenth Street, N.W.  
Washington, D.C. 20036

Gail Polivy  
GTE Service Corporation  
1850 M Street, N.W.  
Washington, D.C. 20036

Mary J. Sisak  
Donald J. Elardo  
MCI Telecommunications  
1801 Pennsylvania Ave., NW  
Washington, D.C. 20006

James Bradford Ramsey  
Nat'l Assn. of Regulatory  
Utility Commissioners  
1201 Connecticut Ave., N.W.  
Washington, D.C. 20423



Maureen O. Helmer  
General Counsel  
New York State Department  
of Public Service  
Three Empire State Plaza  
Albany, NY 12223

Mitchell Brecher  
Fleischman and Walsh  
1400 Sixteenth Street, N.W.  
Washington, D.C. 20036  
Counsel for ONCOR

Andrea M. Kelsey  
The Office of the Ohio  
Consumers' Counsel  
77 South High Street  
15th Floor  
Columbus, OH 43266

Richard Foley  
801 Russell Road  
Alexandria, VA 22031

Judith St. Ledger-Roty  
Enrico C. Soriano  
Reed Smith Shaw & McClay  
Suite 1100 - East Tower  
Washington, D.C. 20005  
Counsel for Intellicall

Michael W. Ward  
John F. Ward, Jr.  
Henry T. Kelly  
O'Keefe, Ashenden, Lyons  
and Ward  
30 N. LaSalle Street  
Suite 4100  
Chicago, IL 60602

Duane W. Luckey  
Ann E. Henkener  
Asst. Attorneys General  
PUC of Ohio  
180 East Broad Street  
Columbus, OH 43215-3793

David Cosson  
Nat'l Telephone Cooperative  
2626 Pennsylvania Ave., N.W.  
Washington, D.C. 20037

Bruce Hagen  
Susan Wefald  
Leo M. Reinbold  
PUC of State of No. Dakota  
State Capitol  
600 E. Boulevard  
Bismark, ND 58505-0480

Albert H. Kramer  
Robert F. Aldrich  
Dickstein, Shapiro Morin  
& Oshinsky, L.L.P.  
2101 L Street, N.W.  
Washington, D.C. 20037  
Counsel for American Public  
Communications Council



Mark C. Rosenblum  
Peter H. Jacoby  
Richard H. Rubin  
AT&T  
Room 3252I3  
295 No. Maple Avenue  
Basking Ridge, NJ 07920

Peter Arth, Jr.  
Edward W. O'Neill  
Patrick S. Berdge  
505 Van Ness Avenue  
San Francisco, CA 94102  
Pub. Utilities Comm. of  
the State of California

Cheryl Tritt  
Morrison & Forester  
2000 Pennsylvania Ave., N.W.  
Suite 5500  
Washington, D.C. 20006-1888

Theodore Kingsley  
BellSouth Corporation  
1155 Peachtree Street, N.E.  
Atlanta, GA 30309

C. Douglas McKeever  
Communications Central  
1150 Northmeadow Parkway  
Suite 118  
Roswell, GA 30076

Alan N. Baker  
Ameritech  
2000 W. Ameritech Ctr. Dr.  
Hoffman Estates, IL 60196

John M. Goodman  
Bell Atlantic Telephone  
1133 20th Street, N.W.  
Washington, D.C. 20036

William J. Balcerski  
NYNEX  
1111 Westchester Avenue  
White Plains, NY 10604

Christopher A. Holt  
Mintz, Levin, Cohn, Ferris  
Glovsky and Popeo, P.C.  
701 Pennsylvania Ave., N.W.  
Washington, D.C. 20004

Glenn B. Manishin  
Michael D. Specht  
Blumenfeld & Cohen  
1615 M Street, N.W.  
Suite 700  
Washington, D.C. 20036  
Counsel for Cleartel and  
ConQuest



Mark Nadel  
Policy and Planning Div.  
Federal Communications  
Commission, Room 544  
1919 M Street, N.W.  
Washington, D.C. 20554

International Transcription  
1919 M Street, N.W.  
Washington, D.C. 20554

Adrien Auger  
Common Carrier Bureau  
Room 6008  
Federal Communications  
Commission  
2025 M Street, N.W.  
Washington, D.C. 20554

Amy Gross  
Amer. Network Exchange  
101 Park Avenue  
Suite 10178  
New York, NY 10178

Regina Kenney, Chief  
Common Carrier Bureau  
Federal Communications  
Commission, Room 500  
1919 M Street, N.W.  
Washington, D.C. 20554

Richard Welch  
Chief, Policy and Planning  
Federal Communications  
Commission, Room 544  
1919 M Street, N.W.  
Washington, D.C. 20554

Mary Beth Richards  
Deputy Bureau Chief  
Common Carrier Bureau  
Federal Communications  
Commission, Room 500  
1919 M Street, N.W.  
Washington, D.C. 20554

Robert Spangler  
Common Carrier Bureau  
Federal Communications  
Commission, Room 6206  
2025 M Street, N.W.  
Washington, D.C. 20554

Arthur Cooper  
President  
AETEL  
P.O. Box 391  
Cedar Knolls, NJ 07927

Kirk Smith  
Operator Service Company  
5302 Avenue Q  
Lubbock, TX 79412



Robert M. Lynch  
Durward D. Dupre  
J. Paul Walters, Jr.  
Southwestern Bell  
One Bell Center, Room 3520  
St. Louis, MO 63101

Kenneth F. Melley. Jr.  
U.S. Long Distance Inc.  
9311 San Pedro Suite 100  
San Antonio, TX 78216

Randall B. Lowe  
Victoria A. Schlesinger  
Piper & Marbury L.L.P  
1200 Nineteenth Street, N.W.  
Washington, D.C. 20036  
Counsel for One Call/OPTICOM

Kathryn Marie Krause  
U S West  
1020 19th Street, N.W.  
Washington, D.C. 20036

Charles C. Hunter  
Catherine M. Hannan  
Hunter & Mow, P.C.  
1620 I Street, N.W.  
Suite 701  
Washington, D.C. 20006

Lucille M. Mates  
Nancy C. Woolf  
Pacific Telesis  
140 New Montgomery Street  
Room 1523  
San Francisco, CA 94105

George F. Lebus  
U.S. Osiris Corporation  
8828 Stemmons Freeway  
Dallas, TX 75824